

M E M O

To: Joint Policy Committee
From: Paul Fassinger, ABAG Research Director
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Date: January 9, 2008
Subject: Linking Performance Targets to Policy Assumptions in Projections 2009

Summary & Requested Actions

Since 2003, ABAG's Projections have been a "policy-based" population, household and jobs forecast, as opposed to a traditional "trend-based" forecast. Policy is reflected in the Projections through the assumptions about the location and density of future growth. These assumptions are based on the broad policy statements adopted by ABAG's Executive Board in 2002, at the completion of the *Smart Growth Strategy Livability Footprint Project*.

As policy-based projections, the land-use forecast is the most complete and detailed expression of the region's land-use policies. However, while the assumptions that make Projections policy-based do reflect regional policies, the broad nature of the policies, i.e. increase housing choices and affordability, makes developing, explaining and evaluating the efficacy of the region's preferred land-use pattern against regional policies ambiguous and onerous.

As part of its Regional Transportation Plan update, MTC adopted a series of performance targets. These targets included reducing vehicle miles traveled (VMT) and congestion, and improving air quality and social equity. Sensitivity analyses were then performed to determine how land use and transportation pricing, in combination with various transportation infrastructure investments, could perform against the targets. To test the power of the land-use component, ABAG staff constructed a hypothetical land-use alternative which redirected virtually all new household and job growth to existing communities and transit stations.

The land use sensitivity analysis allowed staff, decision makers, and the public to clearly see the impact that land use has on region-wide VMT, air quality, congestion and social equity. The analysis also demonstrated the need to re-consider the efficacy of our existing land use assumptions in Projections. This is because the alternative land use used in the RTP analysis had to be highly aggressive in order to make any measurable difference on the performance targets. This reveals real weaknesses in our existing land-use assumptions and their ability to make measurable difference in VMT, air quality or in reducing region-wide congestion--noting, however, that land-use performed as well or better than equally aggressive and expensive infrastructure investment and transport pricing scenarios.

ABAG's staff has produced draft recommendations for the ABAG Executive Board. We are seeking the JPC's input and advice on these recommendations.

If the JPC believes performance targets would be helpful in furthering regional goals, we would then ask that the JPC to review draft performance targets at ensuing Committee meetings.. Staff would also like to review these targets with the constituent boards of the JPC in the coming months.

Joint Policy Committee recommendations and comments will be taken to ABAG's Executive Board for consideration in March 2008. If the ABAG Executive Board approves the idea of performance targets we would continue to seek input and advice from the JPC as we develop specific targets and alternative land use scenarios/projections to evaluate our ability to reach those targets. Alternatives would be brought to decision makers for review and discussion, with one alternative eventually adopted by ABAG's Executive Board as the basis of Projections 2009.

To assist JPC members in making their policy recommendations, more information regarding projections, performance targets and how alternative scenarios would be developed and reviewed is described below.

Projections

ABAG's long-term population, housing and job forecast are developed every two years. During 2008, ABAG's staff will be developing the Projections 2009 forecast. Typically, in the first half of the year staff develops the policy-based land use assumptions for approval by the Executive Board, updates local land-use information and performs initial computer modeling. Staff then releases draft numbers for local review in the fall of the forecast year. ABAG's Executive Board adopts the forecast at its November meeting. Upon adoption, ABAG releases the forecast in early December. The jurisdiction level forecast is disaggregated by staff to its detailed census-tract level during the following spring. The completed Projections serve as the base assumptions for the region's transportation plan, published by MTC, and the Air District's air quality conformity analysis.

Policy Assumptions

The Projections forecast has never been a simple build out of local plans, it has always considered larger economic and demographic trends. These larger trends now include regional policy assumptions regarding growth. Since 2003, ABAG has been producing "policy-based" population, household and job projections, as opposed to traditional "trend-based" projections. This means, in addition to the demographic and economic assumptions used to develop Projections, regional policy objectives are now a component of the assumptions. Regional growth policies call for more housing to be built in the region than current shorter-term local plans can anticipate. In other words, the amount of housing anticipated in the region is more reflective of the amount of housing the region needs in order to meet its policy goals, rather than what is anticipated to occur under "business as usual". As an expression of regional policy, Projections can be conceived as the region's "land use plan."

To adequately reflect regional policies in the development of Projections, staff assumes that more growth will occur in areas with transit, in existing communities and where there are jobs and services - namely in the inner Bay Area and in infill locations. Although the assumptions are reflective of regional policies, there are inherent challenges in making transparent, direct linkages between regional policies and these land-use assumptions. Determining the effectiveness of the assumptions in projections in meeting regional policies is equally challenging. This is because the region's growth policies, as adopted by ABAG's Executive Board in 2002, are extremely broad and generalized:

- Strengthen and support existing communities
- Create compact, healthy communities with a diversity of housing, jobs, activities, and services to meet the daily needs of residents
- Increase housing choices
- Improve housing affordability
- Increase transportation efficiency and choices
- Protect and steward natural habitat, open space and agricultural land

- Improve social and economic equity

The Case for Performance Targets

For Projections 2009, ABAG's Board will again be asked to evaluate and adopt the land-use assumptions used to develop the forecast. This is an opportune time to consider performance targets in the development and evaluation of projections. Performance targets ought to be considered because: 1) they offer a direct link between the region's policies and the land use assumptions used in Projections and 2) because performance targets can be used to clearly convey the need for continued, assertive local support for regional policies.

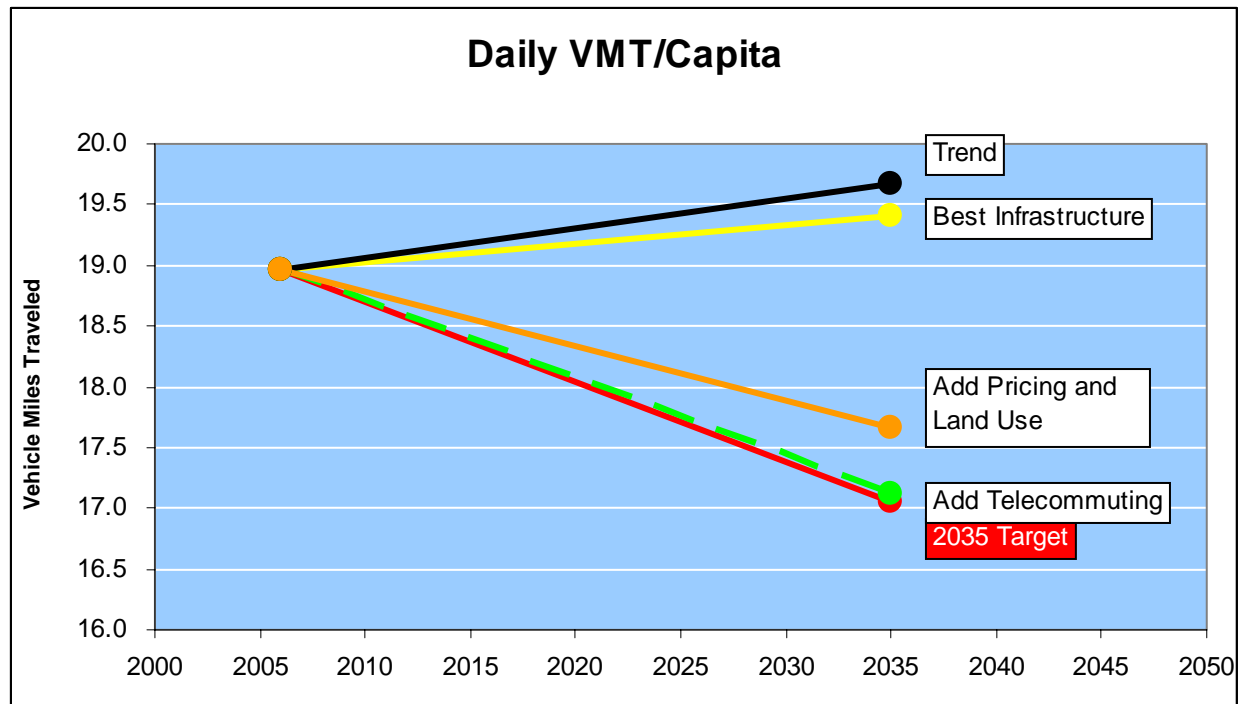
Transparent Link between Policies and Assumptions

The Board is typically asked to make a decision on land-use assumptions with virtually no assurance that the assumptions will have any measurable positive effect in meeting the region's policy objectives. This is because, as they currently stand, the region's policies are too vague to offer any clear direction for such assumptions. Quantifiable performance targets used to measure the effectiveness of the proposed land-use assumptions and resulting projections could easily make the difference between a blind decision and a truly informed one. With performance targets, a transparent, direct link can be made between the land-use assumptions and regional policy objectives. This link was evident during MTC and ABAG's work on performance analysis for the regional transportation plan.

As part of its Regional Transportation Plan, MTC adopted a series of performance targets; including reducing vehicle miles traveled (VMT), congestion and improving air quality and social equity. A performance analysis was then done to estimate how land use and transportation pricing, in combination with various transportation infrastructure investments, could perform against the targets. To test the power of a land use component, we constructed a hypothetical or "what if" land use alternative which redirected new household and job growth to existing communities and placed an enormous emphasis on areas with transit.

The chart below demonstrates the effect the alternative land use scenario had on the VMT reduction performance target. This simple performance measure, i.e. reduce per capita VMT, allowed for an objective determination of how well the proposed land use scenario performed against a policy objective, i.e. to reduce auto use.

Once performance targets are developed, alternative land use scenarios, each with varying degrees of land- use assumptions regarding the location of growth, could be run and tested against the performance targets. In addition to land use, ABAG staff would develop assumptions regarding multi-family housing, travel behavior and telecommuting. In addition, staff would work with MTC to develop assumptions regarding transportation pricing and use of alternative fuels. This package of assumptions and how they "perform" against the targets could then be vetted through policy makers. This would allow regional decision makers, including ABAG's Board members, local governments and other interested parties to clearly understand the ramifications of any decisions made regarding the region's policy-based Projections, or preferred land use pattern, in addition to the other assumptions required to meet the region's established performance targets.



Performance Targets Demonstrate the Need for Continued Concerted Action

Local and regional progress toward meeting regional policy objectives has been considerable in recent years. On November 15, 2007, ABAG's Executive Board formally adopted well over 100 Priority Development Areas (PDAs). Jurisdictions with PDAs have told us that they can accommodate 56 percent of the region's future growth. This is a clear demonstration of local support for advancing regional policies at the local level. At the regional level, policy-based projections are a significant step in moving the region toward a more sustainable development pattern. The Bay Area's recent Regional Housing Needs Allocation is and will probably remain the most progressive and aggressive allocation in the state. RHNA clearly redirects housing to areas with jobs and transit, giving places like Oakland, San Francisco, Berkeley, Fremont and San Leandro substantially more housing responsibility than rural, transit-poor jurisdictions are given.

However, the performance analysis conducted by MTC demonstrated that we may need to do much more. In order to move the needle at all relative to the region's transportation, climate-change and other environmental quality performance targets, including those based on State statutory requirements, a highly aggressive land-use scenario and a complementarily aggressive pricing strategy had to be developed. The land use scenario was substantially more aggressive than the growth seen in the PDA applications, or the goals identified at the end of the Smart Growth Regional Livability Footprint Project. The performance analysis demonstrated that more substantial deviations from business-as-usual will be required if the region intends to meet its policy objectives, i.e. to conserve natural resources, reduce VMTs, alleviate congestion and to improve air quality and social equity.

Given the aggressive land use assumptions or scenarios that were needed to meet performance targets like those adopted by MTC for the RTP, many local governments in this region would have to consider what levels of growth are appropriate. This would require strong community leadership given the concerns

about growth that are often expressed. Even if the performance targets cannot be achieved, they indicate the need to look at more aggressive land use policies.

Extensive policy level discussions and one-one meetings with local governments about performance targets and the land use assumptions needed to meet those targets may translate to greater local government support for stronger policy in policy-based projections, and for supporting a regional transportation plan that rewards jurisdictions who take on the challenge. The review process for projections could be a prime opportunity to convey the magnitude of the problem and to engage local governments in real solutions.

If performance targets are recommended, staff proposes that there also be local review and discussion of the targets, the land use assumptions and draft Projections 2009 city-level and census tract land use data. Such a process could aid the regional agencies in conveying to local governments the policy assumptions behind the projections and how those assumptions result in land use data, especially housing estimates, which at times departs from current local plans. Local jurisdictional discussions would also contribute to a greater regional understanding of their specific concerns and challenges. The local review process could include a technical advisory committee, much like the Housing Methodology Committee, that discusses the performance targets and land use alternatives.

DRAFT RECOMMENDATIONS

ABAG's staff has produced draft recommendations for the ABAG Executive Board. We are seeking the JPC's input and advice on these recommendations:

1. ABAG should evaluate the Projections forecast against performance targets, similar to those adopted by MTC for the Regional Transportation Plan.
2. ABAG should develop a series of land-use assumptions, such as a percentage of future housing and job development that should occur near transit, intended to help the region meet the performance targets.
3. ABAG should work with MTC to develop additional assumptions, such as transportation pricing, to help the region in meeting the performance targets.
4. ABAG's Projections forecast should reflect the adopted Priority Development and Conservation Areas.

A motion reflecting the JPC's consensus position on these recommendations would be welcome.